

I received an Forest Economy Stabilization Grant (FESG) award in 2020, and need to know –

How can I spend the grant funds I received?

Once a business owner has demonstrated revenue loss within the parameters of FESG eligibility, FESG grants can be spent on operating expenses the lost revenue would have paid for. Those would include, **but not be limited to**, things such as mortgage and interest payments, insurance, utilities, equipment and infrastructure maintenance, taxes, and **other essential business operating expenses**. Though previous guidance stated that funds had to be spent by December 30th, 2020, that guidance was updated on 10/20/2020. If a business obtains a Forest Economy Stabilization Grant for qualifying losses incurred between March 1, 2020 and December 30, 2020, the awarded grant funds **are not required to be spent by the business by December 30, 2020**.

Can grant funds be used to pay expenses for prior months, or can it only be used for expenses going forward?

Paying eligible business expenses incurred prior to the date you received your grant, but no earlier than March 1, 2020, is an eligible use of the funds.

How will I document that I have spent the grant funds appropriately?

The business should keep standard accounting practices in place and be able to demonstrate that funds were received (they're taxable*) in their financial statements and that essential business expenses were paid, incrementally, or in total, that equal or exceed the amount of the grant. Engage with your accountant or tax professional now to ensure your financial management practices will result in compliance. *You will receive a 1099-G from the State of Vermont.

Records to support compliance with subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)) may include, but are not limited to, copies of the following:

- General ledger and subsidiary ledgers used to account for (a) the receipt of Coronavirus Relief Fund payments and (b) the disbursements from such payments to meet eligible expenses related to the public health emergency due to COVID-19;
- Budget records for 2019 and 2020;
- Payroll, time records, human resource records to support costs incurred for payroll expenses related to addressing the public health emergency due to COVID-19;
- Receipts of purchases made related to addressing the public health emergency due to COVID-19;
- Contracts and subcontracts entered into using Coronavirus Relief Fund payments and all documents related to such contracts;
- Grant agreements and grant subaward agreements entered into using Coronavirus Relief Fund payments and all documents related to such awards;
- All documentation of reports, audits, and other monitoring of contractors, including subcontractors, and grant recipient and subrecipients;
- All documentation supporting the performance outcomes of contracts, subcontracts, grant awards, and grant recipient subawards;

- All internal and external email/electronic communications related to use of Coronavirus Relief Fund payments; and
- All investigative files and inquiry reports involving Coronavirus Relief Fund payments.

This information was included in an emailed award letter that was sent to you on Wednesday September, 16th 2020 from ANR.FPRAgreements@vermont.gov (in the event you're performing a search in your inbox for that information).

Are grant funds taxable?

Yes. Recipients will be sent a Form 1099-G that is reported to the IRS and Vermont Department of Taxes as income on their 2020 tax returns.

I estimated expenses on my income statements for July (those that applied before 9/4) or for August (for those that applied with August revenues eligible). If I am audited for those months, how should I prepare my records?

Keep a record of how you developed your estimates along with the finalized statements for those months.

If I am audited for this grant in the future, how will I document that “any portion” of the business’s work was in, or the forest or wood products were derived from, Vermont forests during 2019?

Examples of documentation and best practices could include –

- Creating a report now (to keep in your own files with application documents for the required five year period) with a list of your suppliers, customers, clients that your forest products business completed qualifying transactions with in 2019 and 2020.
- Create a report now that lists invoices that were sent, or received, for work completed in Vermont forests, or forest products you purchased, sold, managed, harvested, processed, transported, manufactured, crafted or distributed, that were derived from Vermont forests in 2019 and 2020.

What reporting are FESG recipients expected to provide? You do not need to report anything to the state with regard to how you spent the funds (other than anything necessary to document the receipt of the income when you file your tax returns), but you are subject to state and/or federal audits and required to keep records for five years as outlined in an emailed award letter that was sent to you on Wednesday September, 16th 2020 from ANR.FPRAgreements@vermont.gov (in the event you're performing a search in your inbox for that information).

Who do I contact with questions about this spending, record keeping and audits in the future?

For questions, please contact: ANR.FPRAgreements@vermont.gov